

PUBLIC EMPLOYEE RETIREMENT SYSTEM *of IDAHO*

January 2020

PERSI FY2019 STATUS & FY2020 PROGRESS FOR JOINT FINANCE-APPROPRIATIONS COMMITTEE

Fiscal year 2019 was a good year for Public Employee Retirement System of Idaho (PERSI) even with significant market volatility. We finished the year with an asset value increase of over \$1 billion and an estimated return of 8.4%. The fund reached \$18.4 billion and ended with amortization period of 10.6 years; 3.3 years lower than last fiscal year.

Besides fund growth, PERSI total membership grew to 160,489, of that total 48,120 were retired members receiving benefits. Retirees received benefits totaling \$922.1 million and of that number \$816.9 million stayed in Idaho – generating consistent and taxable state revenue.

While the markets continue to be unpredictable, the fund broke \$19 billion for the first time at the beginning of November. Since then, the fund reached \$19.7 billion at the beginning of January.

As the Plan Sponsor, the Legislature's insight to create Idaho Statute 59-1322(5) requiring the PERSI Retirement Board to take action with a rate increase when the amortization period exceeds 25 years has put the fund in a positive position by not having to make changes. There are no scheduled contribution rate increases for employers and employees.

At the December Board meeting, the Board discussed the cost-of-living adjustment (COLA) for retirees. As a result of the positive investment returns for this year, the Board chose to grant a discretionary COLA of 0.70% for FY2020, in addition to the legislatively-mandated 1% COLA. They also chose to grant retro COLAs from FY2011 (1.77%), FY2012 (0.69%), FY2013 (0.52%) and FY2018 (1.70%). Going forward, there are no remaining retro COLAs on the table.

Providing the legislature approves the discretionary and retro COLAs, the adjustments will become effective on March 1, 2020. NOT all retirees will receive a retro COLA. Adjustments vary based on the retiree's retirement date. Affected retirees will receive a benefit change notice informing them of the adjustment.

While we had positive returns this year, future additional COLAs (other than mandated) will require realistic consideration. The Board understands establishing a clear methodology moving forward is needed.

The sick leave fund's current weighted funded status is 163% (138% schools/227% state). PERSI actuaries recently presented information on the funding status of the sick leave fund, and will continue to study this plan. They will provide the annual valuation in late fall to the Board. In the meantime, the Board took action to address the current overfunding (163%).

Beginning January 1, 2020 there will be an 18 month rate holiday. At the conclusion of the rate holiday, the sick leave rate will go to the normal cost rate. The Board will use any new information from our actuaries for future considerations or adjustments to this plan. PERSI actuaries have

FISCAL YEAR END 2019*

Fund Value: \$18,380,933,618

Funding Ratio: 92.5%

Amortization Period: 10.6 years

MEMBERSHIP*

Total: 160,489

RETIREES*

Number of Retirees: 48,120

Annual Retiree Payroll: \$922.1 million

- \$816.9 million paid to retirees with Idaho addresses

Average Monthly Benefit: \$1,596

Average Years of Service: 19.9

ACTIVE MEMBERS*

Number of Active Members: 72,502

Average Member Salary: \$46,295

Average Years of Service: 9.8

Average Age: 45.9

EMPLOYERS*

Number Participating: 808

- Cities & Counties: 202
- Junior Colleges & Public Schools: 175
- State Offices & Departments: 100
- Water and Irrigation Districts: 76
- Fire Districts: 71
- Highway Districts: 59
- Library Districts: 27
- Cemetery: 19
- Sewer: 11
- Other: 68

CONTRIBUTION RATES**

General

Member: 7.16%

Employer: 11.94%

Public Safety

Member: 8.81%

Employer: 12.28%

2020 COST-OF-LIVING ADJUSTMENT

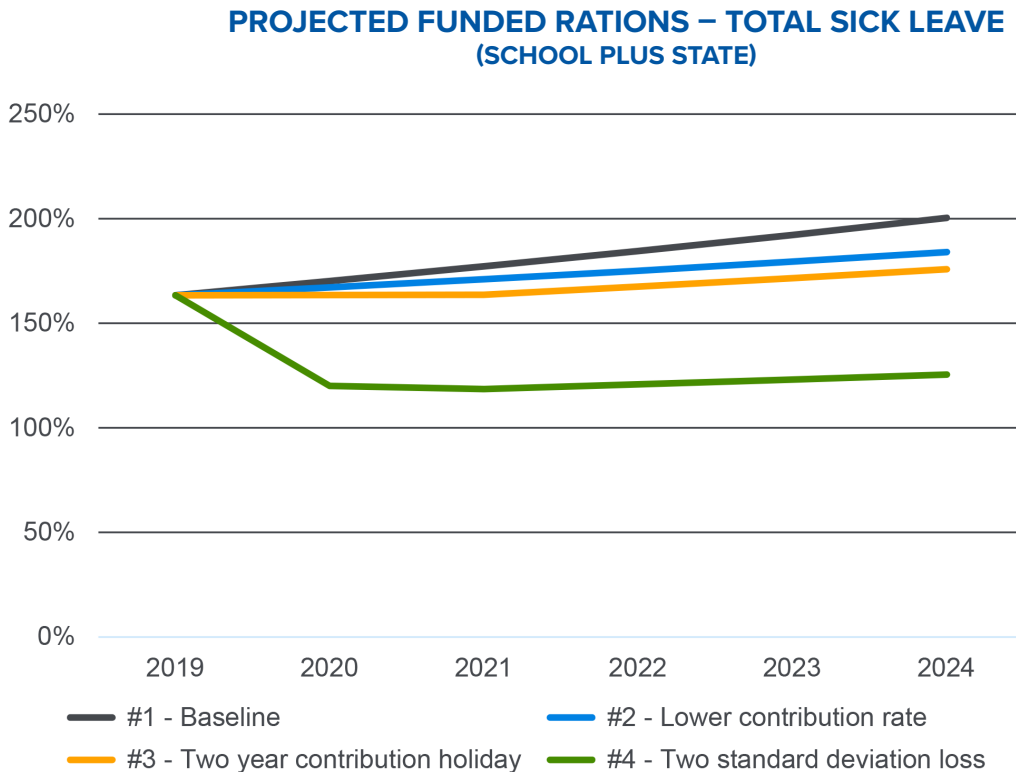
- Based on CPI-U of 1.7% (August 2019)
- The legislatively-mandated 1% COLA and recommended discretionary .7% will be effective March 1, 2020

*As of June 30, 2019

**As of July 1, 2019

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created the graph below showing four different sick leave scenarios of projected funded ratios from 2019 through 2024. This graph pools school employees and state employees.



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PERSI greatly appreciates and supports the Governor’s recommendation of 2% through CEC. The Governor recommends funding for the following (Located in the Legislative Budget Book, section 6-119 through 6-125):

ADMINISTRATIVE

- Ongoing operating expenditures for increased annual software licensing costs for Microsoft and OnBase applications.
- An additional Retirement Specialist, 1.0 FTP, to supplement the four retirement specialists that provide counseling and assistance to PERSI members regarding their retirement benefits.
- Retirement Specialist Reclassification by creating two new retirement specialist positions, 2.0 FTP. These positions would replace third-party contractors currently providing member counseling for the PERSI Choice 401(k) Plan. Doing so, customer service would improve by having in-house, and a single point of contact providing members with one-on-one counseling for both their defined benefit (regular) PERSI plan and their 401(k) plan.
- An Internal Actuary, 1.0 FTP. We currently cannot fulfill all requests for actuarial analyses due to cost but would perform more studies if an internal employee with known salary costs could perform the analysis. Additionally, this position would identify opportunities to utilize external actuarial services more efficiently and effectively, and analyze current practices and alternative scenarios to improve the fund as a whole. We intend to continue using external actuaries to provide the annual valuation. We estimate considerable savings that would more than offset the cost of this employee’s salary and benefits while also being able to address more requests for actuarial analysis.